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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

CHUN-FANG ("FRANK") CHUNG, an individual, derivatively on behalf of nominal defendant GOLDEN ORCHID LTD.; Plaintiff, v. VICKY CHUNG, an individual; ALEX CHUNG, an individual; PATRICK CHUNG, an individual; and DOES 1-10, inclusive, Defendants, and GOLDEN ORCHID, LTD., a California Corporation. Nominal Defendant.	Case No.: **VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR:** **1. BREACH OF FIDUCIARY DUTY;** **2. WASTE OF CORPORATE ASSETS;** **3. ABUSE OF CONTROL; &** **4. UNJUST ENRICHMENT**

Plaintiff CHUN-FANG CHUNG ("Frank"), by and through his counsel Zuber Lawler & Del Duca LLP, submits this Verified Shareholder Derivative Complaint on behalf of nominal Defendant GOLDEN ORCHID, LTD. ("Golden Orchid" or the "Company"), against Defendants VICKY CHUNG ("Vicky"), ALEX CHUNG ("Alex"), and PATRICK CHUNG ("Patrick") (collectively, "Chung Defendants").

PARTIES

1. Plaintiff Frank is a citizen of Taiwan and domiciled in or near Taipei. Frank is, and at all relevant times was, a shareholder of Golden Orchid.

2. On information and belief, nominal Defendant Golden Orchid is a California corporation with its principal place of business in Santa Fe Springs, California.

3. On information and belief, Defendant Vicky Chung is a citizen of the United States and domiciled in or near Arcadia, California. Vicky is, and at all relevant times was, the President of Golden Orchid and a Director on Golden Orchid's Board.

4. On information and belief, Defendant Alex Chung is a citizen of the United States and domiciled in or near Irvine, California. Alex is, and at all relevant times was, an officer of Golden Orchid and a Director on Golden Orchid's Board.

5. On information and belief, Defendant Patrick Chung is a citizen of the United States and domiciled in or near Arcadia, California. Patrick is, and at all relevant times was, an officer of Golden Orchid and a Director on Golden Orchid's Board.

6. Plaintiff is ignorant of the true names and capacities of the Defendants named herein as Does 1 through 10, inclusive, and therefore names said Defendants by such fictitious names. Plaintiff will seek leave to amend this complaint when the true names and capacities of said fictitiously named Defendants have been discovered. Plaintiff is informed and believes, and based thereon alleges, that each of said

fictitiously named Defendants is in some way responsible for the acts which resulted in the harm alleged herein.

7. Plaintiff is informed and believes, and based thereon alleges, that each Defendant conspired and acted in concert with each other to commit the wrongs alleged herein, and in doing so were at all relevant times the agents, servants, employees, principals, joint venturers, alter egos, and/or partners of each other. Plaintiff is further informed and believes, and based thereon alleges, that in doing the things alleged in this complaint, each Defendant was acting within the scope of authority conferred upon that Defendant by the consent, approval and/or ratification of other Defendants, whether said authority was actual, implied, or apparent.

JURISDICTION AND VENUE

8. This action is between: (1) Plaintiff Frank, an individual who is a citizen of Taiwan and domiciled in Taipei; and (2) nominal Defendant Golden Orchid, a California corporation, and the Chung Defendants, individuals, all of whom are, on information and belief, citizens of the United States and domiciled in California. The amount in controversy exceeds $75,000. This Court has jurisdiction pursuant to 28 U.S.C. § 1332.

9. This Court has personal jurisdiction over Defendants because they are located and/or domiciled in California and have purposely availed themselves of the opportunity to conduct commercial activities in California.

10. Venue is proper in this district pursuant to 28 U.S.C. § 1391 because a substantial portion of the events giving rise to the claims alleged herein occurred within this district, and personal jurisdiction exists over Defendants within this district.

GENERAL ALLEGATIONS

11. This is a shareholder derivative action brought by Frank, a shareholder of Golden Orchid, on behalf of Golden Orchid against certain of its officers and directors seeking to remedy Chung Defendants' violations of law, including

breaches of fiduciary duty, waste of corporate assets, abuse of control, and unjust enrichment occurring on or about 2005 to the present and that have caused substantial monetary losses to Golden Orchid and other damages, such as to the Company's reputation and goodwill.

12. During the relevant period, Golden Orchid was the primary United States distributor for Kimlan Foods Co., Ltd, ("Kimlan"). Kimlan is a family-owned and operated food products company and is one of the most renowned soy sauce manufacturers in the world.

13. Vicky was a member of Kimlan's board of directors for many years. Through that position, Vicky had substantial influence in Kimlan's management and operations. Alex and Patrick are both Vicky's children.

14. On information and belief, in or about 1978, Vicky and her late husband Herman Chung formed Golden Orchid in California to serve as the primary distributor for Kimlan products in the United States. Due to the close ties between Kimlan and Vicky, Golden Orchid enjoyed highly favorable treatment by Kimlan in all aspects of its business relationships with Kimlan, including pricing and payment terms.

15. On information and belief, Golden Orchid's revenue-generating business operations consisted almost entirely of distributing Kimlan products within the United States. As such, Golden Orchid's business relationship with Kimlan was at all relevant times integral to the Company's viability as a going concern.

16. Over time, Vicky groomed her sons Alex and Patrick to become more involved with Golden Orchid. Alex and Patrick gradually assumed control, operation, and management of Golden Orchid. During the relevant period, Golden Orchid was subject to Chung Defendants' control and domination.

17. On information and belief, Chung Defendants' control and domination of Golden Orchid has been characterized by a pattern of mismanagement, neglect, self-dealing, abuse of authority, unjust enrichment, and corporate waste. In effect,

Chung Defendants have for years treated Golden Orchid as their personal piggybank.

18. For example, Chung Defendants have, on information and belief, wasted and misused corporate assets by siphoning funds from Golden Orchid for use on lavish personal expenses, such as weddings, luxury cars, shopping sprees on Rodeo Drive in Beverly Hills and elsewhere, travel, personal home improvements, personal life and vehicle insurance coverage, cash payments, and other extravagances with no corporate purpose whatsoever. On information and belief, Golden Orchid has even paid the personal tax liabilities of Chung Defendants.

19. On information and belief, Chung Defendants repeatedly drew on Golden Orchid's credit rather than their own for personal purchases on corporate cards. In so doing, Chung Defendants abused the position of trust they held within Golden Orchid, jeopardized its ability to obtain and maintain credit (which was crucial to its business operations), and wasted the Company's resources.

20. On information and belief, Chung Defendants further wasted and misused corporate assets by siphoning funds from Golden Orchid for use on their other businesses, such as at least: AYC LLC; ACP Avocados LLC; and K-Stone Industries, Ltd. (the "Related Entities").

21. On information and belief, Golden Orchid assets have been used to pay for Related Entities' facilities, taxes, utilities, vendor invoices, insurance, and other personal expenses that bear no relationship whatsoever to the business and operations of Golden Orchid.

22. On information and belief, Chung Defendants wasted and misused corporate assets by making sizeable charitable donations using Golden Orchid funds, including during periods where Golden Orchid was so behind on payments to creditors that its ability to continue operating was in jeopardy.

23. On information and belief, Chung Defendants caused Golden Orchid to use Company funds for these donations in an effort to burnish Chung Defendants'

standing in the community at the expense and to the detriment of Golden Orchid. Under the circumstances, such donations could not have been the result of a good faith exercise of business judgment, and would not have been made had Chung Defendants exercised ordinary due care.

24. Chung Defendants have also misused their positions of trust and authority within Golden Orchid to engage in rampant self-dealing at the Company's expense and to its detriment.

25. For example, on information and belief, Golden Orchid funds were repeatedly "loaned" to Chung Defendants on commercially unreasonable terms and without Chung Defendants obtaining appropriate corporate approvals. On information and belief, some or all of the ostensibly "loaned" funds have not been paid back to Golden Orchid.

26. By way of further example of illegal self-dealing, on information and belief, Golden Orchid entered into a commercially unreasonable rental agreement with Alex's AYC LLC. Adding insult to injury, Chung Defendants caused Golden Orchid to act as guarantor on a multi-million dollar loan AYC LLC obtained from a bank for the purpose of acquiring the facility to rent back to Golden Orchid in the first place.

27. On information and belief, Chung Defendants did not obtain the appropriate corporate approvals or ratifications of their unreasonable self-dealing transactions. Indeed, the activities and business of Golden Orchid were for the most part carried out without holding Board or shareholder meetings or keeping records or minutes of corporate proceedings.

28. On information and belief, Chung Defendants' mismanagement and abuse of their positions of trust have dragged Golden Orchid deep into debt and irreparably harmed its reputation and ability to conduct business Indeed, as result of Chung Defendants' malfeasance, Golden Orchid is no longer able to conduct regular business operations or generate revenue at all.

29. Toward the end of 2014, Golden Orchid ordered a number of products from Kimlan and fell behind on its payment obligations. Between November 7, 2014 and August 6, 2015, Kimlan delivered and Golden Orchid accepted thirty-seven shipments of food products with a total value of $2,528,721.07.

30. During that period, Golden Orchid repeatedly acknowledged and confirmed its payment obligations to Kimlan for the goods shipped, but never made payments in satisfaction of the debt.

31. On information and belief, Golden Orchid did not pay its debt to Kimlan because it lacked sufficient funds to do so as result of Chung Defendants' wasteful misuse of corporate resources, self-dealing, and failure to exercise reasonable care.

32. As result, on or about November 22, 2015, Kimlan stopped all pending orders and shipments of products due to Golden Orchid's delinquent status.

33. On information and belief, throughout the entirety of the relevant period, and including during the period of delinquency that resulted in Kimlan ceasing shipments to Golden Orchid, Chung Defendants violated their duty of care as Directors of the Company by failing to maintain proper oversight into the conduct of its operations and to take other reasonable steps to intervene after it became apparent the company was being mismanaged.

34. For example, on information and belief, while the Company accrued serious unpaid balances owed to Kimlan during late 2014 and early-to-mid 2015, Chung Defendants were aware that the Company was being mismanaged and its resources wasted to such an extent that its viability as a going concern was imperiled. Despite this, Chung Defendants failed to exercise reasonable care to intervene and rein in the out-of-control, unjustifiable costs and spending or to take reasonable steps to negotiate a payment plan with Kimlan that might preserve the crucial business relationship.

35. Chung Defendants' failure to exercise reasonable care allowed for unchecked mismanagement, waste, and improper self-dealing, causing financial and reputational harm to Golden Orchid, and ultimately resulting in the Company's inability to conduct operations or generate revenue.

36. On information and belief, all the while, Chung Defendants personally unjustly enriched themselves at Golden Orchid's expense and to its detriment, drawing salaries and exorbitant benefits from the Company and raiding its corporate coffers at their pleasure to cover personal and Related Entity costs and expenditures.

37. Throughout the entirety of the relevant period, Golden Orchid never issued a dividend or otherwise distributed profits to its shareholders. On information and belief, Golden Orchid was unable to issue dividends or distribute profits because of the malfeasance of the Chung Defendants alleged herein.

38. On information and belief, Chung Defendants abused their position of authority and trust within Golden Orchid to conceal its true financial condition from shareholders by failing to conduct regular shareholder meetings or otherwise disclose financial reports and information to shareholders.

39. On information and belief, Chung Defendants inappropriately concealed Golden Orchid's true financial condition from shareholders in an effort to hide their mismanagement, wasteful misuse of corporate resources, self-dealing, and other wrongdoing.

40. On information and belief, shortly after Kimlan ceased shipments, Chung Defendants effectively abandoned Golden Orchid, moving on to a new company they created under the name "Kimlan Foods, LLC" in an attempt to abandon their duties to Golden Orchid and its shareholders, defraud the Company's creditors, and cause confusion within the marketplace between their novel "Kimlan Foods, LLC" and the legitimate, world-renowned Taiwanese company "Kimlan Foods Co., Ltd."

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

41. Frank brings this action derivatively in the right and for the benefit of nominal Defendant Golden Orchid to redress injuries suffered, and to be suffered, by Golden Orchid as direct result of the breaches of fiduciary duty, waste of corporate resources, abuse of authority, and unjust enrichment by Chung Defendants. Golden Orchid is named as a nominal defendant solely in a derivative capacity.

42. Frank is, and at all times relevant was, a shareholder of record of Golden Orchid.

43. Frank will adequately and fairly represent the interests of Golden Orchid shareholders in enforcing and prosecuting its rights.

44. This action is not a collusive one to confer jurisdiction that the Court would otherwise lack.

45. At all relevant times, Chung Defendants controlled and dominated the Golden Orchid Board of Directors and Golden Orchid management.

46. Because this lawsuit seeks to recover unjust benefits retained by Chung Defendants and damages caused to Golden Orchid by Chung Defendants' waste and self-dealing, Chung-Defendant-dominated-Golden Orchid is aligned against its shareholders and antagonistic to its shareholders' interests with respect to the claims alleged herein, including Frank's interests.

47. For the same reasons, Golden Orchid is undoubtedly opposed to institution of this litigation. Moreover, Golden Orchid's Board of Directors has been aware of the wrongdoing alleged herein at all relevant times, but has failed to take any remedial action. Any demand to Golden Orchid's Board would therefore be futile.

48. Because Chung Defendants have caused Golden Orchid to not observe corporate formalities such as conducting regular or special shareholder meetings and to otherwise conceal the financial condition of the Company and the extent of their

own wrongdoing from shareholders, a demand to Golden Orchid's shareholders would also be futile.

FIRST CAUSE OF ACTION

(Shareholder Derivative Claim For Breach of Fiduciary Duty Against Chung Defendants)

49. Frank repeats and re-alleges each and every allegation contained in the foregoing paragraphs, and incorporates them by reference as though fully and completely set forth herein.

50. As Directors, officers, and/or fiduciaries of Golden Orchid, Chung Defendants owed and owe Golden Orchid fiduciary obligations, including the highest duty of good faith, fair dealing, loyalty, and due care.

51. Chung Defendants breached their fiduciary duties to Golden Orchid by, among other things, using corporate funds for personal costs and other expenditures with no legitimate business purpose, depleting and disbursing Golden Orchid's corporate assets to themselves and/or the Related Entities for their own personal gain, engaging in self-dealing at the Company's expense and without obtaining the appropriate corporate approvals, and failing to exercise due care in conduct of Golden Orchid's operations and management.

52. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

53. Each Chung Defendant knew or was reckless or grossly negligent in not knowing that they were misusing corporate resources for personal expenses and the expenses of their other businesses, engaging in improper self-dealing without appropriate corporate controls, and failing to exercise due care in the operation and management of the Company.

54. As a direct and proximate result of the misconduct by Chung Defendants described herein, Golden Orchid has been damaged in an amount to be proven at trial.

SECOND CAUSE OF ACTION

(Shareholder Derivative Claim For Waste of Corporate Assets Against Chung Defendants)

55. Frank repeats and re-alleges each and every allegation contained in the foregoing paragraphs, and incorporates them by reference as though fully and completely set forth herein.

56. As a result of the misconduct described above, Chung Defendants wasted corporate assets by: (i) misusing Golden Orchid's assets, including cash and credit, for personal and other expenditures with no legitimate purpose related to Golden Orchid; and (ii) misusing Golden Orchid's assets, including cash and credit, for expenditures relating to Chung Defendants' Related Entities and with no legitimate purpose related to Golden Orchid.

57. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

58. As a direct and proximate result of the misconduct by Chung Defendants described herein, Golden Orchid has been damaged in an amount to be proven at trial.

THIRD CAUSE OF ACTION

(Shareholder Derivative Claim For Abuse of Control Against Chung Defendants)

59. Frank repeats and re-alleges each and every allegation contained in the foregoing paragraphs, and incorporates them by reference as though fully and completely set forth herein.

60. By virtue of their positions in Golden Orchid, Chung Defendants exercised control over Golden Orchid and its operations, and owed duties as controlling persons to Golden Orchid not to use their positions of control within the Company for their own personal interests and contrary to the interests of Golden Orchid.

61. Chung Defendants' conduct amounts to an abuse of their control of Golden Orchid, in violation of their obligations to Golden Orchid. Chung Defendants knowingly aided, encouraged, cooperated and/or participated in, and substantially assisted the one another in their abuse of control.

62. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

63. As a direct and proximate result of the misconduct by Chung Defendants described herein, Golden Orchid has been damaged in an amount to be proven at trial.

FOURTH CAUSE OF ACTION

(Shareholder Derivative Claim For Unjust Enrichment Against Chung Defendants)

64. Frank repeats and re-alleges each and every allegation contained in the foregoing paragraphs, and incorporates them by reference as though fully and completely set forth herein.

65. By their wrongful acts and omissions, Chung Defendants were unjustly enriched at Golden Orchid's expense and to its detriment.

66. Frank, as a shareholder and representative of Golden Orchid, seeks restitution from these defendants, and each of them, and seeks an order of this Court disgorging all profits, wages, benefits, and other compensation obtained by Chung Defendants from their wrongful conduct and fiduciary breaches.

67. Frank, on behalf of Golden Orchid, has no adequate remedy at law.

PRAYER FOR RELIEF

Frank, on behalf of Golden Orchid, prays for judgment against Chung Defendants, and each of them, as follows:

1. For the damages sustained by Golden Orchid as result of Chung Defendants' breaches of fiduciary duty, waste of corporate assets, and abuse of control in an amount to be proven at trial;

2. For an order disgorging all unjust enrichment retained by Chung Defendants, including any profits, wages, benefits, and other compensation obtained by Chung Defendants from their wrongful conduct and fiduciary breaches;

3. For an award of Frank's costs and fees relating to this lawsuit, including his reasonable attorneys' fees; and

4. For such other legal and equitable relief as this Court deems just and proper.

Respectfully submitted,

Dated: May 4, 2017

ZUBER LAWLER & DEL DUCA LLP

By: /s/Alan C. Chen
Alan C. Chen
Zachary S. Davidson
Attorneys for Plaintiff,
Chun-Fang ("Frank") Chung

VERIFICATION

I have read the foregoing VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT FOR and know its contents.

I am a party to this action. The matters stated in the foregoing document are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on May 3, 2017, at Taipei, Taiwan

Frank Chung
Name of Signatory

Signature

DEMAND FOR JURY TRIAL

CHUN-FANG CHUNG ("Frank") hereby demands trial by jury of all issues, which are so triable in this action and on this complaint.

Dated: May 4, 2017 ZUBER LAWLER & DEL DUCA LLP

By: /s/Alan C. Chen
Alan C. Chen
Zachary S. Davidson
Attorneys for Plaintiff,
Chun-Fang ("Frank") Chung